REMARKS

Introduction

In response to the Office Action dated January 12, 2009, claims 34 and 43 are amended, and new claims 55 and 56 are presented. No new matter is added by these claim amendments and new claims. Claims 1-33 were previously canceled, and claims 52-54 were previously withdrawn. Claims 34-51 remain pending in this application.

Reconsideration of the patentability of the claimed subject matter is requested in view of the foregoing amendments and the following discussion.

§103 Rejections

In the Office Action of January 12, 2009, the previously pending claims were rejected under 35 U.S.C. §103(a). Claims 34-37, 39, 41-46,48 and 50-51 were rejected as unpatentable over U.S. Patent No. 6,657,376 to Farrar et al. ('*Farrar*') in view of U.S. Patent No. 7,356,502 to LaBadie et al. ('*LaBadie*'); and claims 38, 40, 47 and 49 were rejected as unpatentable over *Farrar* and *LaBadie* in view of U.S. Patent No. 5,679,940 to Templeton et al. ('*Templeton*').

In the amendment submitted in conjunction with the Request for Continued Examination on June 24, 2008, the points of distinction of claims 34 and 43 were discussed in detail. In particular, it was stated that:

> "the switch computer will immediately return a decline response to the host with an appropriate response code (see page 16, lines 10-20 of the present specification). This feature is claimed in claim 34 as:
>
> perform an exclusion check on the received service request message based on a comparison of the TRN contained in the service request message against a list of excluded transit routing numbers;
>
> send to the host computer an indicator indicating that the authorization for the conversion request is denied without forwarding the service request message to a drawee bank of the paper check if the performed exclusion check determines that the TRN is present in the list of excluded transit routing numbers
>
> It is important to note that the authorization service request message is declined immediately at the switch computer without the message being further routed to a drawee bank of the paper check. As such, the present invention of claim 34 improves the efficiency of processing paper checks. As persons of ordinary skill

> in the art can appreciate, the saving of even a few seconds may be especially useful as the customer is typically waiting at a merchant terminal for the paper check to clear with possibly more customers waiting behind him." (June 24, 2008 Amendment, pages 7-8) (emphasis added).

However, in the Official Action of January 12, 2009, in the Response to Arguments section, it was stated that:

> "[E]xaminer points to the disclosure of Farrar which performs these very steps. Farrar discloses the obtaining of TRN data from the MICR line of a check. The TRN number is checked against of list of TRNs associated with participating banks. If the TRN is not found on the list of participating banks, the request is not sent to a drawee bank. The difference then is that Farrar does not disclose returning a decline message but rather in Farrar an authorization decision is then made by consulting other known databases in the art. However, as detailed LaBadie discloses sending a decline message back to the merchant without sending a response packet to a drawee bank.
>
> It is noted a comparison of the drawings of Farrar and Templeton both disclose the use of a POS input device, a host or merchant processor, and EFT switch, and drawee banks. In each case, TRN data is obtained at a POS device by means of a check being run through a MICR reader and the check returned to the customer. The TRN data obtained from the check at the POS is then compared to a list of TRN data to determine if the TRN data is found on the list or not. Based on the determination, transaction data is either sent to a drawee bank or not." (Official Action, January 12, 2009, pages 11-12).

Applicants respectfully disagree with this assertion by the Examiners. In the summary of *Farrar* by the Examiner in this section of the Official Action, there is no mention of where the transit routing number is checked. An important distinction between the present claims and the disclosure of *Farrar*, as admitted by the Examiner and as set forth in greater detail below, is that in *Farrar*, the comparison occurs at the merchant; in contrast, in claims 34 and 43 of the instant application, an exclusion check is performed at the switch computer which is a central computer that is in communication with a plurality of merchants (merchant computers). This feature is distinct and provides substantial advantages over the system and method disclosed by *Farrar*.

Turning to the particular points of the rejection of claims 34 and 43, the Examiner cites to Figure 2 and column 6, lines 50-55 of *Farrar* as teaching the host computer. While not explicitly stated, it is understood by Applicants that the element referred to is the "merchant

processor 108." In addition, the Examiner cites also to Figure 2, and to column 6, lines 50-67 of *Farrar* as teaching the switch computer connected to the host computer and a plurality of participating drawee banks. Again, it is not explicitly stated by the Examiner, but Applicants understand that the element referred to as the switch computer is the "EFT switch 110."

Importantly, the Examiner admits that:

"Farrar does not disclose where the switch computer is operable to:

> Perform an exclusion check on the received service request message based on a comparison of the TRN contained in the service request message against a list of excluded transit routing numbers; send to the host computer an indicator indicating that the authorization for the conversion request is denied without forwarding the service request message to a drawee bank of the paper check if the performed exclusion check determines that the TRN is present in the list of excluded transit routing numbers; and send the received service request message to a selected one of the plurality of drawee banks with corresponds to the TRN is the performed exclusion check determines that the TRN is not present in the list of excluded transit routing numbers." (Official Action, January 12, 2009, page 4; *see also* page 7, in regards to claim 43).

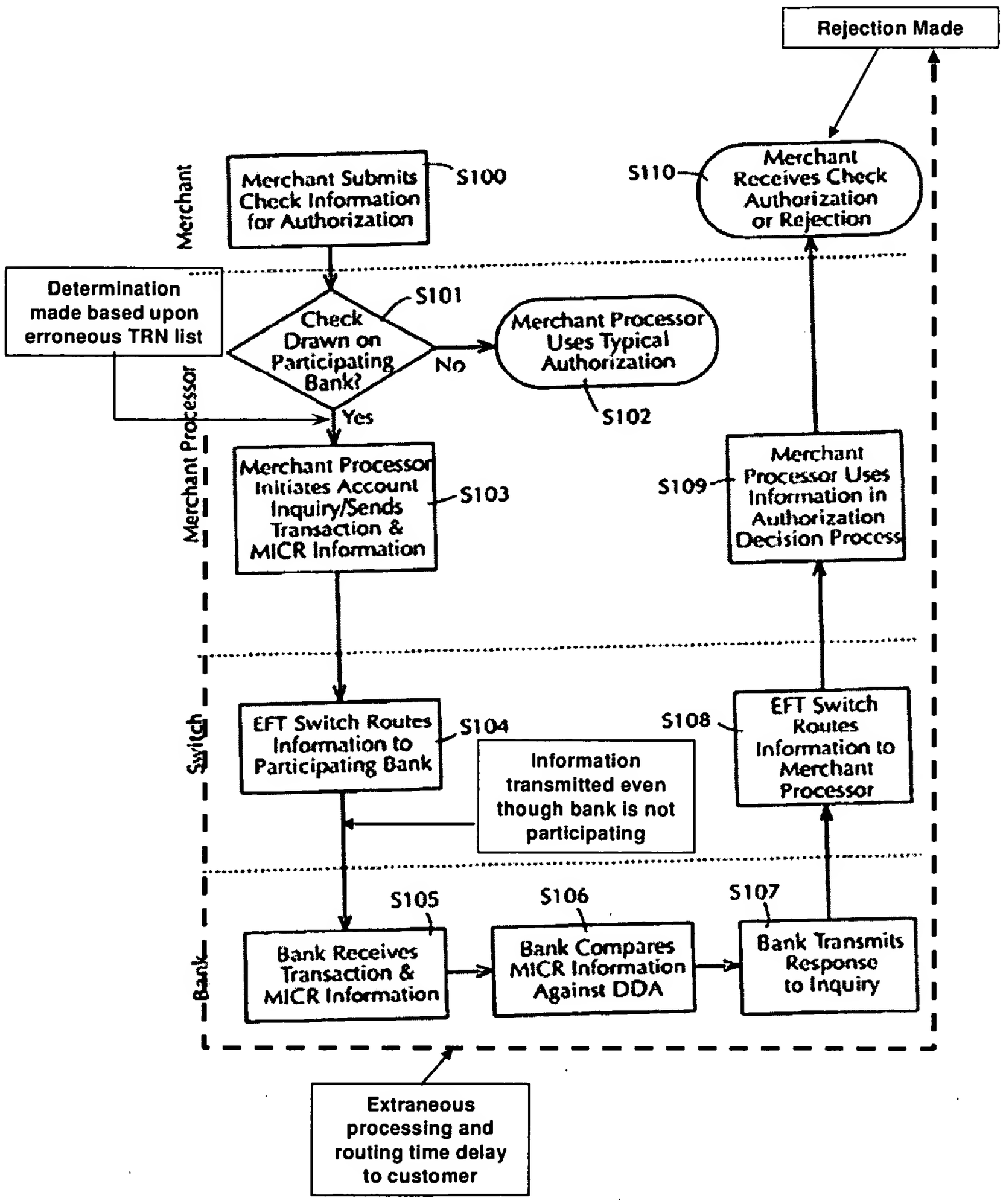
The Examiner relies upon other portions of *Farrar* that disclose a determination by the merchant processor, i.e., host computer, as to whether the

> "MICR encoded routing/transit number indicating that the bank upon which it is written is a participant in the POS authorization system of the present invention. If it does not, the merchant processor 108 uses typical authorization techniques, preferably utilizing its database and authorization criteria, which do not require access to the DDA of the customer 100. If it is determined that the check bears the appropriate indicia, the merchant processor 108, at step S103, initiates an account inquiry by transmitting electronically the transaction amount and MICR information to the EFT switch 110." (*Farrar*, column 9, lines 2-13).

Notably, all of the determination as to whether the transit routing number is associated with a participating bank is performed by the merchant processor in the system of *Farrar*. Even in an alternative embodiment, *Farrar* discloses that the merchant processor may be an entity separate from the merchant, such as a check guarantee service (see column 14, lines 25-27). Thus, in *Farrar*, the exclusion check is done at the merchant level.

A substantial drawback of this approach is that each and every merchant processor must contain a database listing TRN's associated with participating banks. Therefore, when a

participating bank is added, or removed, from the list, each merchant processor must accordingly update its listing. This can lead to a situation where some merchant processors have updated the list and some have not. In the event that a merchant processor has not yet updated its list, the processing when a TRN from a non-participating bank is presented is substantially delayed. The process flow from *Farrar* (Figure 5) is shown below including a situation where a TRN listing is not properly updated:



As is apparent from the above modified process flow, in the event that the TRN listings are not properly updated, the process flow still proceeds through the EFT switch, to the non-participating bank, back through the switch and the merchant processor, and ultimately to the merchant, all to provide a rejection response in an inefficient manner.

What is perhaps an even more substantial drawback is a situation when a previously excluded bank becomes a participating bank. Since the update to the exclusion list is done by individual merchants, there will be a period of time during which some merchants may not have updated its exclusion list to remove the bank. In that case, any authorization request for a check drawn on the now participating bank will be erroneously denied at the merchant level. This is a much more serious drawback as the merchant may lose valuable sales.

In contrast, in the present claims 34 and 43, the switch computer compares the TRN data from the request with a listing of excluded transit routing numbers. This list is applied to the switch computer, which is connected to plural host merchant computers, as presented in the amended claims 34 and 43, to clarify that the switch computer is connected to the plurality of merchant computers. When a TRN is to be excluded, it is added to the list at the switch computer. Therefore, each merchant does not have to coordinate updating of the list, and an indicator is immediately received when an authorization for a conversion request is denied, before the request is forwarded to a drawee bank. This provides substantial time savings to the merchant and the customer waiting to have his or her check processed.

The Examiner also admits that *Farrar* does not teach that an indicator is sent to the host computer indicating that authorization is denied before a request is routed to a drawee bank. For this feature, the Examiner cites *LaBadie*. Even if the combination of *Farrar* with *LaBadie* were considered a proper combination, the result of such a combination would still not yield the system of claim 34 or the process of claim 43, since neither reference relied upon in any way suggests performance of an exclusion check by a switch computer on the received service request message based on a comparison of the TRN in the service request message against a list of excluded transit routing numbers prior to the message being routed to a drawee bank.

For at least these reasons, it is submitted that independent claims 34 and 43 and their dependent claims 35-42 and 44-51, respectively, are patentable over the references relied upon.

Conclusion

All issues having been addressed, a favorable outcome on the merits is earnestly solicited. To resolve any questions or concerns that may remain, it is requested that the undersigned be contacted to discuss such matters in an interview.

Respectfully submitted,

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